

VZCZCXRO5161
OO RUEHDBU RUEHFL RUEHKW RUEHLA RUEHNP RUEHROV RUEHSL
DE RUEHSI #1559 2301202
ZNY SSSSS ZZH
O 181202Z AUG 09
FM AMEMBASSY TBILISI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2054
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

S E C R E T TBILISI 001559

SIPDIS

PM/DTCC FOR KYLE M. BALLARD

E.O. 12958: DECL: 08/18/2019
TAGS: [ETTC](#) [KOMC](#) [SE](#) [UP](#) [BU](#) [GG](#)
SUBJECT: GEORGIA: BLUE LANTERN LEVEL 3: PRE-LICENSE END-USE
CHECK ON LICENSE 050180371

REF: SECSTATE 79547

Classified By: Ambassador John F. Tefft for Reasons 1.4 (b) and (d).

11. (S) In response to reftel questions, Post provides the following answers.

1A. Can the Georgian Ministry of Defense (MOD) confirm the order of the rifles and grenade launchers listed on this license application? MOD's Letter of Intent and End-Use Certificate date back to 2007 and 2008, respectively. Are these documents still considered valid by MOD? Do these documents still reflect MOD's intention to continue with this transaction?

-- The requirement remains a valid one for the MOD. While this was a needed order when made, it is no longer an immediate need for MOD. However, Deputy Minister of Defense for Acquisitions Otar Berdzenishvili told DATT that there is no provision in the contract for return of Georgian funds if the license is not approved. Thus, Bel Trading would keep the total value of the contract whether the goods are delivered or not. According to Berdzenishvili, the only provision for return of the funds is if the M4s and/or M203s do not meet military specifications; a sub-standard product apparently is cause for voiding the contract while denial of license is not. Since there is nothing to be gained by denying the license, we ask PM/DTCC not/not to deny it even though the need is not urgent.

1B. What role is Seychelles-based Bel Trading and Consulting playing in this transaction? How were you first introduced to Bel Trading and Consulting? What are the terms of the agreement between MOD and Bel Trading and Consulting in this transaction? Is Bel Trading and Consulting receiving any commissions for its services in this transaction?

-- According to Deputy Defense Minister Berdzenishvili, Bel Trading is an Ukrainian company based in the Seychelles. Bel Trading and the Georgian Ministry of Defense have had a business relationship since 2006 and MOD has executed a large number of contracts with the company. Berdzenishvili is not/not satisfied with the performance of the company and is actively seeking to terminate the relationship without losing any Georgian government funds already paid. Berdzenishvili expressed concern with Bel Trading's contracts (specifically how contracts are written and executed). He noted examples including a lack transparency, a lack of accountability mechanisms, and a high commission rate to Bel Trading without any performance standards. Bel Trading has also deceived the MOD about the status of some of its signed contracts. Berdzenishvili suspected Bel Trading of keeping large sums of Georgian funds even though sales contracts are not moving forward, and in some cases, licenses have been denied. He does not intend to use Bel Trading again, but wants to complete the contracts that are pending in order to not lose already committed funds.

1C. To your knowledge, are there any other companies involved in this transaction aside from Bel Trading and Consulting and the U.S. vendor? Are any other parties receiving fees or commissions for services rendered in this transaction?

-- None known, but the contract does not specify.
TEFFT